COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

> THE APPLICATION OF KENTUCKY UTILITIES)
> COMPANY FOR AN ORDER AUTHORIZING) CASE NO. 92-032
> THE ISSUANCE OF SECURITIES)

O R D E R

On January 17, 1992, Kentucky Utilities Company ("KU") filed an application seeking authority to issue and sell long-term debt in the form of First Mortgage Bonds or, in the alternative, unsecured notes in one or more transactions during 1992, the aggregate principal amount of which together shall not exceed $111,000,000. The interest rate applicable to the First Mortgage Bonds of each such series would not exceed 8.75 percent per annum, with a maturity of not more than 40 years from the nominal date of the First Mortgage Bonds of such series. The interest rate applicable to the unsecured notes of each such series would not exceed 8.75 percent per annum, with a maturity date of not more than 40 years from the nominal date of the unsecured notes of such series.

The proceeds would be used to discharge or refund KU's securities as follows, and thereby reduce its overall cost of capital on an after-tax basis:

1. To redeem all of the outstanding Series L, 9.125% First Mortgage Bonds issued in April 1974 at 101.289 percent of face value. The entire bond issue will be redeemed at the call

price of 104.31 percent for a total cost of $26,077,500 plus accrued interest to the date of redemption.

2. To redeem all of the outstanding Series M, 9.25% First Mortgage Bonds issued in May 1976 at 101.25 percent face value. The entire bond issue will be redeemed at the call price of 105.07 percent for a total cost of $31,521,000 plus accrued interest to the date of redemption.

3. To redeem all of the outstanding Series O, 9.625% First Mortgage Bonds issued in August 1979 at 101.234 percent face value. The entire bond issue will be redeemed at the call price of 106.37 percent for a total cost of $53,185,000 plus accrued interest to the date of redemption.

The Commission, having considered the evidence of record and being otherwise sufficiently advised, finds that the issuance and sale by KU of up to $111,000,000 in First Mortgage Bonds or in the alternative unsecured notes are for lawful objects within its corporate purposes, are necessary and appropriate for and consistent with the proper performance of its service to the public, and are reasonably necessary and appropriate for such purposes and should, therefore, be approved.

IT IS THEREFORE ORDERED that:

1. KU be and it hereby is authorized to issue and sell up to $111,000,000 of its First Mortgage Bonds or in the alternative unsecured notes at interest not to exceed 8.75 percent in one or more transactions during 1992. The securities will be sold in a public offering which may be made directly by KU with one or more purchasers or on a negotiated or competitive bid basis with one or

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more underwriters, investment bankers or agents, or in a private placement transaction utilizing the proper documentation.

2. KU shall agree only to such terms and prices which will result in a positive net present value savings and which are consistent with said parameters as set out in its application.

3. KU shall, within 30 days after the issuance of the securities referred to herein, file with the Commission a statement setting forth the date or dates of issuance of the securities authorized herein, the price paid, the interest rate, the purchasers, and all fees and expenses, including underwriting discounts or commission or other compensation, involved in the issuance and distribution.
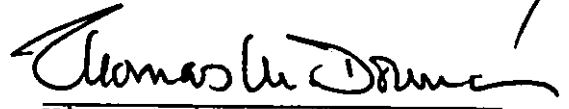
4. The proceeds from the transactions authorized herein shall be used only for the lawful purposes set out in the application.
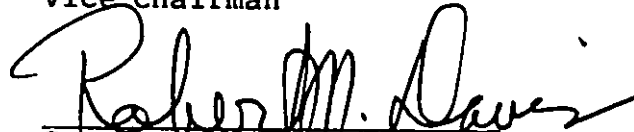
Nothing contained herein shall be construed as a finding of value for any purpose or as a warranty on the part of the Commonwealth of Kentucky or any agency thereof as to the securities authorized herein.

Done at Frankfort, Kentucky, this 28th day of February, 1992.

PUBLIC SERVICE COMMISSION

_____
Chairman

_____
Vice Chairman

_____
Commissioner

ATTEST:

_____
Executive Director